

U.S.S. Portsmouth, 1846

**The ANNUAL REPORT
to STOCKHOLDERS of
BANK of AMERICA**

**National Trust and Savings Association
for the year ended**

December 31, 1940

... a story of continuing progress

MRB
Corp. file

The ship with full spread sails represents the U. S. S. Portsmouth, a sloop-of-war of the American Navy. In this vessel a detachment of Marines under command of James B. Montgomery entered San Francisco Bay in 1846 and, disembarking, raised the first Stars and Stripes over the city. The more intimate association of this historical event with the history of our own organization lies in the fact that the U. S. S. Portsmouth docked at the spot where, after the shore line was extended, was located the first Head Office of what is now the Bank of America National Trust & Savings Association, the birth-place of branch banking in California.

San Francisco, California

BANK OF AMERICA
National Trust and Savings Association

ANNUAL REPORT OF
PRESIDENT L. M. GIANNINI
TO STOCKHOLDERS

January 14, 1941



In my last annual report it was my privilege to point out that during 1939 our total loans, deposits, and resources, as well as earnings, had reached their highest peak in the history of the Bank. It is now my pleasure to report that the record of 1939 has been surpassed by the achievements of 1940.

At the year-end, loans reached a total of \$778,295,000, the largest for any bank in the United States. The increase during the year amounted to \$67,240,000. At the year-end, the number of borrowers using our credit facilities exceeded 850,000. This extensive patronage is very gratifying indeed and we regard it as an endorsement of our policy of seeking to provide every type of banking accommodation which will serve to best advantage the legitimate needs of our customers, whether they be large or small.

Deposits amounted to \$1,632,228,000 on December 31, 1940, a gain of \$149,436,000 over the previous year, and marking the ninth successive year of rising deposit totals. Savings and time deposits represented over 1,800,000 accounts and totaled \$874,758,000, a gain of \$34,759,000 for the year. During 1940 the Bank maintained by a wide margin its position as America's largest savings institution.

Demand deposits of \$757,469,000 on December 31 represented an increase of \$114,677,000 for the year. This excellent gain reflects not only a larger number of accounts on our books but also a generally improved level of business activity throughout the State.

At the year's end, deposit accounts numbered over 2,475,000, and, as I have already mentioned, borrowing accounts, most of which also represented depositors, numbered well over 850,000. It is probable that the total number of our patrons exceeds two and three-quarter million people.

Total resources at the end of 1940 were \$1,817,535,000, reflecting a gain of \$188,948,000 above the total on December 31, 1939. Cash and security accounts represented \$977,032,000, or 53% of our total resources.

SOURCES OF INCOME AND CLASSIFICATION OF EXPENSES

Gross income during 1940 totaled \$74,105,559, an increase of \$2,192,542 or 3% over 1939.

The major sources of the past year's income were as follows:

Loans	\$40,422,940;
Security Investments . .	\$22,965,903;
Miscellaneous, including trust fees, service charges, and recoveries	\$10,716,716;
Gross Income .	\$74,105,559.

From this total gross income, we paid out the following:

Salaries and other pay- ments for personal serv- ices	\$17,499,399;
Interest paid to deposit- ors	\$11,507,843;
Local, state, and federal taxes, including Social Security taxes, and Federal Deposit Insur- ance assessments (paid and accrued for 1940)	\$ 7,767,268;
Other operating costs .	\$ 8,323,727.
All together our operating expenses amounted to .	\$45,098,237 for
the year. Excluding federal taxes and deposit in-	

insurance assessments, practically the entire amount helped to swell the total of California business during the year.

After paying our expenses, \$29,007,322 in earnings remained. It is the largest sum of its kind we have had the privilege of reporting to you. Of it, \$4,370,761 was reserved for depreciation of banking premises, furniture, fixtures and equipment, and for amortization of bond premiums; and \$5,709,527 in reserves was set up and applied to the reduction of asset carrying values. Also from earnings, \$1,176,956 was allocated to our Employees Profit-Sharing Bonus Plan. As I have previously reported to you, contributions to the plan are invested in stock of the Bank; the stock so purchased is held in trust for a period of five years in order to encourage an increasing proprietary interest in the Bank on the part of our officers and employees. A portion of the above allocation, set aside as a special bonus in December, was subject to withdrawal in cash by employees in the lower salary brackets.

Dividends amounting to \$2.40 per share were paid during the year to 152,000 holders of our common stock, and totaled \$9,600,000. On June 10, 1940, in conformance with a composition of our differences with the office of the Comptroller of the Currency, concerning which I reported to you in detail last year, we increased our capital structure by \$30,000,000 through the issuance of 600,000 shares of \$20.00 par value \$2.00 convertible preferred stock at \$50.00 per share. From the proceeds of this issue \$12,000,000 was added to capital and \$18,000,000 to surplus. The dividends paid to stockholders on the preferred stock for the portion of the year since its issuance amounted to \$665,753. This sum, together with dividends on common stock above referred to, brings to \$10,265,753 the total of dividends paid to preferred and common stockholders during 1940.

After the above distributions of earnings, there remained for addition to Other Reserves and Undivided Profits the sum of \$7,484,325. This, together with the \$30,000,000 derived from the sale of preferred stock, brought a total gain of \$37,484,325 in our capital funds, consisting of Capital, Surplus, Undivided Profits, and Reserves. As of

December 31, 1940, total capital funds aggregated \$156,337,691.

At the time of the issuance of the preferred stock on June 10, 1940, \$6,900,000 was taken from previously accumulated Undivided Profits and set up as an unallocated reserve fund. The sum of \$1,000,000 was transferred from accumulated Undivided Profits to the Preferred Stock Retirement Fund on June 30, 1940.

In connection with our capital accounts, you will be pleased to know that on January 2, 1941, the Preferred Stock Retirement Fund was increased from \$1,000,000 to \$3,473,000 by a transfer of funds from Undivided Profits account, and \$3,000,000 of the fund was then used for the purchase and retirement of 10% of the entire outstanding issue of preferred stock. This means that in the period of approximately six months following its issuance, provision has been made for the first four years of the Retirement Fund requirements. We believe our ability to make this provision lends support to your management's contention that, in view of the great earning capacity of your Bank, an increase in capitalization through preferred stock was unnecessary.

On retirement of preferred stock an amount equal to the par value of the preferred stock retired is placed in an account designated "Reserve for Increase in Common Stock." This part of capital funds is available at the discretion of the Board of Directors, either for the payment of a dividend in common stock or for an increase in the par value of the outstanding shares of common stock.

REVIEW OF LENDING ACTIVITIES

In following aggressively its policy of providing adequate bank credit for every legitimate need, the Bank was privileged to grant more than 875,000 new loans during the year for a total of approximately \$715,000,000, the average loan amounting to about \$800. As this figure includes real estate loans, which averaged approximately \$3,400, it is apparent that the Bank is making a very large number of small business and personal loans as well as supplying the larger require-

ments of agriculture, business, and industry in general.

In this connection many of you will recall our promise made in 1932 to put the dollars of our depositors to work to bring "Good Times" back to California. How fully we have kept that promise is already well known to hundreds of thousands of Californians who have used Bank of America credit during the period to the extent of billions of dollars with benefit to themselves and to the State as a whole.

A comparison of our lending activity with recently published figures of the American Bankers Association covering lending operations of reporting California banks during the first six months of the year is of interest. Reports from 121 banks showed a total of 677,428 new loans made for a dollar amount of \$497,479,000 during the first six months of 1940. Your Bank's figures for the same period reveal 428,000 new loans made for \$358,047,000, indicating that Bank of America supplied approximately 60% of the total number of loans and over 71% of the total amount reported. I am sure it will be gratifying to stockholders to know that ever since comparative figures have been available, that is, since the start of these lending compilations by the American Bankers Association, it has been evident that, based upon such figures, Bank of America is doing more than its proportionate share to supply California's banking credit needs both in number of loans and in aggregate dollar volume.

This enviable record was not made by chance, but by design. From the day the Bank was opened, more than thirty-six years ago, its policy has been to make banking service as widely available and as convenient as possible. Through our statewide branch system we are able to provide a comprehensive metropolitan banking service in every section of California. The ready access to bank credit and services thus provided by the friendly Bank of America neighborhood branch, plus the continuing efforts of management and employe to build every service and facility of the Bank, has been most fruitful. Another factor has been the interest of stockholders and friends in the welfare of the Bank.

In addition to developing existing services and facilities in every way possible during the year, the Bank further extended its range of usefulness by introducing a plan for the retail financing of airplane purchases. This progressive innovation represents an extension of our banking service to the needs and conditions of an expanding industry. It is an evidence of our continuing effort to keep abreast of the times and assist our customers in every legitimate way.

Generally speaking, as individuals we often do not fully appreciate conveniences and advantages that are so readily available as to be commonplace; and so perhaps it may be within the proprieties to point out that the people of California enjoy an availability of banking service which is probably unmatched in any other state of the Union. Branch banking, and particularly the statewide system of the Bank of America, is responsible for the unique position of California in this respect. In branch banking, the resources of the entire bank stand behind even the smallest branch. Time and again we have put branches into small and developing neighborhoods and communities where no banking services were available, and through the granting of bank credit to those who could use it productively, have made material contributions to the development and progress of these communities.

A specific instance of the branch banking principle in operation may be of interest. Due to the fact that every branch has the resources of the entire Bank behind it, Bank of America can supply the credit needs of the community in which it operates without regard to the amount of deposits available in that particular community. For example, 47 of our branches located in various parts of the State have \$100 or more in loans outstanding for every \$100 on deposit. The percentage of loans to deposits ranges in some instances up to 200% and over. In addition to these 47, there are another 60 branches where loans total 75% or more of deposits. When we take into consideration the fact that national banks as a whole had approximately 28% of their deposits lent as of June 29, 1940, the relative superiority of credit availability enjoyed by many

California communities through Bank of America service is at once apparent.

Naturally, there are many communities where this high loan ratio does not exist. The reason, however, lies solely in the nature of the community and in its credit requirements. We have many branches in suburban centers and in long established and well populated residential communities where savings and other funds are plentiful and the need for commercial or other credit is relatively small. Whereas in some banks these funds might accumulate in the form of cash, excess reserves, or bond investments, under branch banking a substantial part of the funds which cannot be put into productive use in one community can be employed in another. This principle of putting our resources to work wherever there is proper need for them is highly beneficial to the whole State. Our over-all loans to deposits ratio for the Bank as a whole is more than 47%, which compares very favorably with the national bank average of 28% previously mentioned.

A further significant fact is that most of the branches having high loan-deposit ratios are situated in the smaller communities throughout the State which need additional credit to aid in the growth and development of local agriculture, business, and industry.

INSTALMENT CREDIT LOANS

Since the establishment of our various personal loan services as a separate department in 1929 we have made over 1,960,000 loans for a total dollar amount of \$583,000,000, or an average of just under \$300 per loan. Up to November 30, 1940, our total losses on this large volume of loans amounted to only 15/100ths of 1% of total loans repaid.

During 1940 our instalment credit lending activities have continued to show the very gratifying upward trend of the past few years. Altogether we have made 627,000 of such loans for a total dollar amount of \$178,475,000 during the past year. We feel that through the medium of this service we have made a very tangible contribution to the improvement of standards of living for our fellow Californians. Not only have

our loans facilitated a great volume of consumer buying of many of the necessities and comforts of life, but they have also saved these borrowers many thousands of dollars through our reasonable interest rates.

A survey made just a few months before the close of the year indicated that personal loan borrowers from Bank of America had been saved not less than \$17,000,000 when their borrowing costs were compared with the cost of such loans from other types of lending agencies. This figure did not include the millions saved by other borrowers through use of our Timeplan method of financing the purchase of automobiles and equipment and of our other instalment credit facilities.

Personal loans for a wide variety of purposes were made to 242,400 borrowers during the year for a total amount of \$42,686,700.

Within the year, 193,400 automobile loans were made for a total dollar amount of \$93,560,-200. This included both new and used car financing.

Modernization loans made under Title I of FHA and under the Bank's own plan numbered 30,500 for \$18,001,200.

Equipment loans were made to 160,600 individual borrowers for \$24,226,800 during 1940. Many of these loans were to provide for the purchase of various labor saving appliances for California homes. We find much satisfaction in the knowledge that Bank of America credit is contributing to a greater ease and facility in carrying on the normal tasks of the household and thus lightening the work of California's homemakers. Many other loans facilitated the purchase of furniture, radios, and other equipment and comforts for the householder.

(The above individual instalment credit loans do not include \$60,402,000 in loans made available to dealers in automobiles and household appliances under wholesale flooring plan arrangements. This total of loans is included in the total of agricultural, business, and industrial loans later referred to.)

REAL ESTATE LOANS

Real estate loans were made to 35,000 borrowers during the year for a total dollar amount of \$120,000,000. Of these, more than 15,000 were home loans under the provisions of Title II of the Federal Housing Administration (FHA) amounting in all to \$60,000,000. Many of the other real estate loans also were for the purchase or construction of homes, and others were for the purchase of farms or other income-producing property.

Our continued development of home financing during the year enabled us to maintain by a wide margin our position of leadership in FHA lending. From the very inception of the FHA program we have rendered valuable aid to this plan for better housing for the average American family. We are proud that Bank of America lending volume under FHA is not even closely approached by any other bank in the United States. As a matter of fact, Bank of America lending under FHA plans is considerably greater than the total of FHA lending by all banks in all but a very few of the individual states of the Union.

At the end of the year total real estate loans on our books amounted to \$421,850,000, or \$26,733,000 above the 1939 year-end total. A detailed analysis of our real estate loans as of June 29, 1940, revealed that nearly 93% of the total number and more than 86% of the total dollar amount provided for instalment payments. The analysis also showed that over 80% of the total number of loans represented financing of residential properties exclusive of apartment houses and hotels. Experience has shown this type of loan to be one of the most desirable of all from the standpoint of soundness and liquidity. Our large volume of home loans, coupled as it is with a high percentage of amortization requirements, well warrants my belief that Bank of America has one of the very best real estate loan portfolios in the United States. The remaining 20% of our real estate loans was well diversified among business, industrial, and agricultural properties, practically all income producing, situated throughout California. Instalment payments on our real estate loans total about \$6,000,000 per month.

Statement of Condition Bank of America National Tr RESOURCES

**Cash in our vaults and on deposit with
Federal Reserve**

Bank \$190,143,525.37

**Cash on deposit with banks in New York,
Chicago and other cities and cash items
in process of collection** \$118,212,180.49

TOTAL CASH \$308,355,705.86

**Securities of the United States Govern-
ment and Federal**

Agencies \$451,279,141.50

**State, county and
municipal bonds** . . . \$166,633,326.80

**Other bonds and
securities** \$ 47,043,827.99

**Stock in Federal
Reserve Bank** \$ 3,720,000.00

TOTAL SECURITIES \$668,676,296.29

This figure is after deduction of reserves of
\$7,871,382.46.

We have loaned to our customers for use
in their businesses, for the storing of com-
modities, for intermediate capital uses, for
building, buying or modernizing their
homes, financing automobile or household
equipment purchases, and for other legiti-
mate needs \$778,295,100.94

This figure is after deduction of reserves of
\$20,222,716.08.

We have interest due us on bonds and loans
(earned to the date of this statement),
and accounts receivable \$ 6,469,424.36

We hold guarantees and securities of cus-
tomers and banks, for letters of credit, ac-
ceptances and endorsed
bills \$ 16,375,801.62

TOTAL DUE US FROM

CUSTOMERS \$801,140,326.92

**Bank buildings, furniture, fixtures and safe
deposit vaults.** This figure represents the
original cost less depreciation
of \$17,140,346.73 \$ 32,089,972.62

Other real estate owned. This is real estate
owned, but not presently used as bank
premises, and real estate acquired in the
settlement of debt \$ 6,612,408.07

Other resources including supplies inventory,
automotive equipment, deferred charges,
etc. \$ 660,475.75

Total Resources . . . \$1,817,535,185.51

This statement includes the figures of

n, December 31, 1940
ust and Savings Association

LIABILITIES

Demand deposits. Funds placed with the bank by individuals, corporations, firms, banks, public officials and the United States Government (payable on demand)

\$757,469,845.43

Savings and time deposits. Funds placed with the bank in savings accounts or for extended periods of time by individuals, corporations, firms, U. S. Government, State of California and political subdivisions thereof

\$874,758,551.74

TOTAL DEPOSITS \$1,632,228,397.17

We have endorsed Bankers' Acceptances and issued Letters of Credit on behalf of customers, and have agreed to honor Customers' Drafts (not yet due), all of which are secured by the guarantees and collateral of customers and banks included in resources

\$ 16,605,640.36

We have set aside as a reserve for interest payable on time deposits and for taxes and other expenses

\$ 2,620,288.04

We have reserved for interest received in advance on loans

\$ 9,743,168.92

This amount will be taken into income as earned.

TOTAL LIABILITIES \$1,661,197,494.49

CAPITAL FUNDS

The difference between the total resources and the total liabilities represents the bank's working capital, provided by the stockholders as a protection for depositors. It is carried on the books as follows:

Capital. Representing the investment of over 152,000 Stockholders.

Common (4,000,000 shares) \$ 50,000,000.00

Preferred (600,000 shares.) Issued at \$50 (\$20 Capital \$30 Surplus), Annual Dividend \$2. Preferred to extent of and retireable at issue price and accrued dividends

\$ 12,000,000.00

Surplus. Paid in by stockholders or accumulated from earnings in the operation of the bank

\$ 62,000,000.00

Undivided profits Profits accumulated and not withdrawn, but left with the bank for use in conducting its business

\$ 20,278,752.98

Retirement Fund Funds set aside from profits to retire Preferred Stock by purchase or by call in accordance with the Articles of Association of the Bank

\$ 1,000,000.00

Unallocated and Other Reserves. Set aside out of accumulated profits by the Board of Directors, available as a further reserve protection in addition to Surplus and Undivided Profits

\$ 11,058,938.04

TOTAL CAPITAL FUNDS \$ 156,337,691.02

Liabilities and

Capital Funds . \$1,817,535,185.51

he London, England, banking office.

LOANS TO AGRICULTURE, BUSINESS, AND INDUSTRY

In addition to the various classes of loans already referred to, we made approximately 213,000 loans for a total amount of \$416,000,000 to agricultural, business, and industrial enterprises to aid in the furtherance of California's economic progress. These loans varied from small to very large amounts, and in total contributed measurably to the welfare of hundreds of thousands of Californians dependent upon these economic activities for their livelihood.

BANK OF AMERICA AND THE DEFENSE PROGRAM

In the tragedy that now darkens the world all of us must sorrow. Our own great country is in a position to contribute materially to a return of amity among the warring nations. To this end it is now engaged in a tremendous effort to build up its implements of preparedness. The industrial and financial resources of the nation are being brought increasingly into action for this purpose. In your behalf the management of the Bank is happy to pledge its continuing and full cooperation in every way with the defense program.

Our cooperation not only includes the supplying of proper credit requirements of individuals and corporations engaged in defense work, but is extended as well through every other phase of our service that can be of aid to the program. For instance, we are even now preparing to lengthen appreciably the hours of banking service in certain of our branches in areas where employees in defense industries are working "around the clock." It is our desire to afford these workers a more convenient opportunity to satisfy their banking needs. Naturally, this will provide further employment for desirable Bank personnel, as it is not our intention to make any increase in the working hours now in effect for our staff.

OPERATING EXPENSES

As previously outlined to you, our operating expenses during 1940 amounted to \$45,098,237.

This figure represented an increase of \$1,515,670 over 1939.

Local, state, and federal taxation, together with assessments for Federal Deposit Insurance and Social Security, amounted to \$7,767,268 and accounted for \$2,445,209 in added expense. These tax costs naturally are not subject to control by the management of your Bank. It is evident from the foregoing figures that, exclusive of taxes, the management has effected a saving of \$929,539 in operating costs during the year.

As an indication of the continuing increase in our operating efficiency may I point out that although the individual salary averages of our employes have gone up substantially since 1932, the ratio of such expense to total deposits of the Bank has declined 43.9% during this period.

SECURITIES PORTFOLIO

At the end of 1940 our securities accounts aggregated \$668,676,000, an increase of \$64,407,000 over December 31, 1939. Included in the total was \$451,279,000 in United States Government securities, including those of federal agencies. This represents a gain in the account of \$16,588,000 over the preceding year-end.

TRUST DEPARTMENT OPERATIONS

During 1940 our Trust Department distributed over \$30,000,000 in property and money to approximately 3,600 heirs, devisees and beneficiaries of estates and trusts.

Within this same period some 2,200 persons, whose estimated aggregate wealth is in excess of \$116,000,000, named the Bank as Executor, Trustee, or both, under Wills deposited with us. The number of Wills presently on deposit is 34,500.

During the year we opened 225 new private trusts with assets in excess of \$23,000,000, while the Corporate Division of the Trust Department, acting as Trustee under bond issues, Transfer Agent, Registrar, Paying Agent, and in other capacities, accepted 35 new appointments. At the end of the year more than 25,000 persons throughout California were in continuous active contact with the Trust Department and its representatives in our statewide fiduciary service.

TRAVELERS CHEQUES

Although world conditions during 1940 were anything but conducive to tourist and other travel, the constant efforts of our International Banking Department in creating a wider acceptance and use of our travelers cheque service managed not only to hold all previous gains in this field but actually to achieve a slight increase over 1939. Our travelers cheque sales have reached a new high each year for the past eight years. The fact that during 1940 we were able to register a gain in sales over the all-time high mark of 1939 is a tribute to the excellent standing of your Bank. During the year we also achieved a further gain of 16% in the number of agencies handling our travelers cheques. It is confidently anticipated that with the return of more normal world conditions we should be in an exceedingly advantageous position to achieve new high levels in this activity.

CHRISTMAS CLUB

On December 1, 1940, we were privileged to distribute not only Bank of America's biggest Christmas Club, but the largest that has ever been distributed by any bank. More than 260,000 members participated in the distribution of \$16,000,000 in Christmas Club funds. This sum represents a gain of 433% in dollar value of Christmas Club accounts over the total of seven years ago. We have been happy to extend this service to the people of California, for we feel that not only does it provide an easy and desirable method of accumulating funds for the Christmas season, but it also represents a contribution of material importance to the volume of Christmas business enjoyed by California merchants and business men.

At the present time our employe campaign for the 1941 Christmas Club is in full swing. The number of members enrolled thus far is approximately 15% ahead of a year ago. We regard the annual increase, both in number and dollar amount, as an endorsement by the people of California of our efforts to provide a special purpose savings service for them.

SCHOOL SAVINGS

A feature of our savings service deserving of special mention is our continuing efforts in the development of school savings. It was just a little over thirty years ago that we began active cooperation with the educators of our State in providing children of school age with practical encouragement in the formation of habits of thrift. This activity was first started in San Francisco and from there it has spread throughout the State. Today we are participating in programs for saving at more than two thousand California schools, representing in all nearly 75% of the State's elementary school students. During the year just closed our school savings plan was introduced into seventy-one schools and further progress into new territory is anticipated for the coming year.

At the year-end both the number of school savings accounts on our books and the dollar amount represented were at the highest level yet reached. The more than 300,000 school savings accounts, representing children's savings in excess of \$5,000,000, provide the best kind of evidence that California parents approve and support our efforts to encourage habits of thrift among the growing generation. From the figures given we see that the average school savings account amounts to less than \$17. However, the dollar volume is of less consequence both to the present and future welfare of our State than the establishment in the youthful mind of habits of thrift and an appreciation of the value of money.

A. P. GIANNINI BIRTHDAY GIFT CAMPAIGN

In the Spring of 1940 and some time before the 70th birthday of our Chairman, Mr. A. P. Giannini, a number of our employes conceived the idea of making a birthday gift to him which would attempt to express their appreciation for his peerless leadership and the personal esteem in which they hold him. This birthday gift, a pledge on the part of the employes to increase the deposits of the Bank by more than \$150,000,000 by Mr. Giannini's next birthday, was presented to him at a party given to him on May 6

at San Jose, his birthplace. The party, which was held at the Municipal Auditorium, was attended by hundreds of his co-workers and friends, and thousands of other co-workers throughout the State joined in the party through a special radio hookup. I know that you will be pleased to observe from the year-end deposit figures that our 9,600 loyal employes have already achieved substantial progress toward the goal they have set for themselves.

NEW HEAD OFFICE BUILDING

The increased scope and volume of the Bank's operations over the years has caused an overcrowding in our present Head Office building at Number 1 Powell Street in San Francisco. When the building was occupied in July 1921, we had 37 branches. In the past two decades this number has increased many fold. Not only does the present magnitude of the Bank's operations demand more commodious housing for our Headquarters, but our prospects of further growth also warrant our making preparation for more and better service to our customers and friends. Our new Head Office now under construction on Montgomery Street, between Pine and California, which will cost approximately \$2,000,000, is the result of our consideration of these circumstances. We are looking forward to occupying the new building in the latter part of 1941.

PERSONNEL

At the end of the year the Bank's personnel numbered 9,637 men and women. Regarding them I can only say, as I have said on numerous occasions in the past, that in my belief they constitute one of the very ablest bank staffs in the nation. In steadfast loyalty to your Bank and in devoted and aggressive attention to carrying on its operations they make a contribution of inestimable value to the success of the Bank. The excellent progress achieved during the past year, as in former years, may be attributed in large part to the efforts of our employes, and I do not believe that there is any bank in the United States which benefits more from the constant diligence of its employes in business build-

ing. Over the past several years we have seen countless successful attempts made to alienate employes from management, to the detriment of stockholders and patrons, and we are aware, too, that our own institution, because of its preeminent position, has been the object of similar efforts from time to time. That no progress has been made in these attempts must be attributed to the splendid esprit de corps of our staff and to the firm conviction that the management has their welfare at heart.

I am especially pleased to report to you that 146 of our employes were promoted during the year to official positions in the Bank, and that, in line with our established policy, practically all executive positions filled were promotions from our own ranks.

BRANCH ADVISORY BOARDS

Supplementing the loyalty of the Board of Directors and their devotion to the best interests of the Bank, during 1940, as in years past, your Bank was privileged to have the active aid and good counsel of members of branch advisory boards throughout the State. To the esteemed co-workers on these boards, aiding in the business of building your Bank, I am happy to voice thanks and appreciation on your behalf.

REVIEW OF ECONOMIC CONDITIONS

No report of this character would be complete did it not refer briefly to some of the basic conditions which underlie all our activities. The Bank of America covers one of the most important geographical areas in the world. As that area increases in economic importance so do our activities expand in consequence. Though we have grown rapidly in the past, the probabilities are that we may grow even more rapidly in the future, as a result of both domestic and world wide conditions. It is proper, therefore, to highlight here a few of the more notable fields of western economic activity which presently are

affecting our growth and which will continue to affect it in the future.

In agriculture California enjoyed the highest income reported for any year since 1929 with the single exception of 1937. The State's importance as a manufacturing area has increased rapidly during the past year, particularly in the vital aircraft and shipbuilding industries. The combined value of defense and related contracts recently awarded in California reaches the staggering total of \$2,149,000,000. Of this amount, \$1,300,000,000 is for aircraft alone. Half of the latter figure represents our government's order for military planes; the other half is for foreign governments and American commercial airlines. Construction involves \$150,000,000; shipbuilding \$570,000,000. As a result of these orders California has taken rank as one of the leading states in the volume of defense orders.

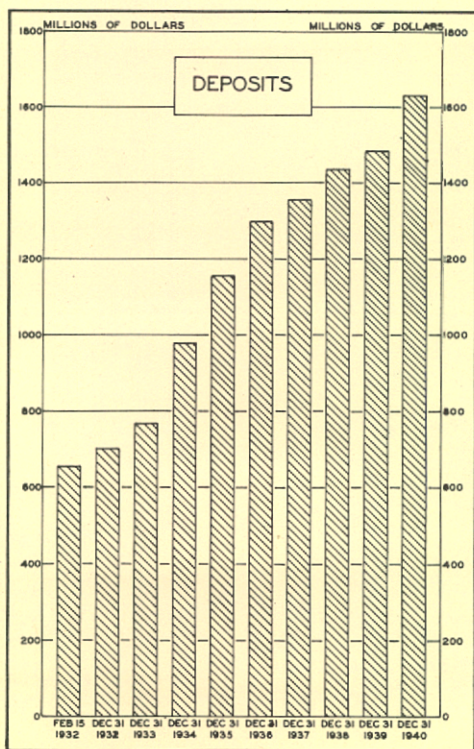
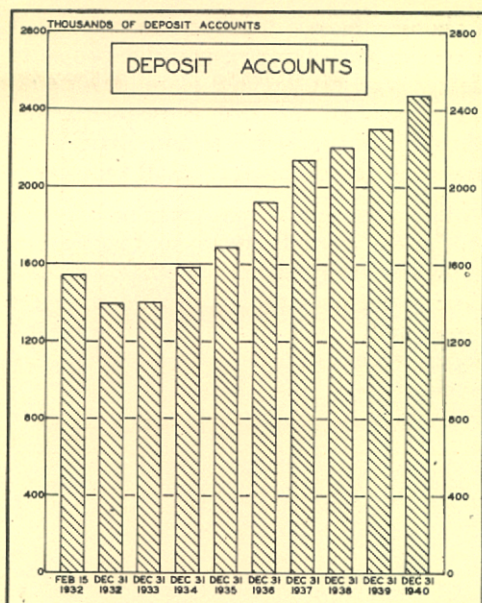
As a consequence of the industrial expansion, California's employment and payrolls are now at the highest levels on record. The gains in industry have naturally been felt in a host of related lines which furnish material and supplies. Stimulated by large Army and Navy projects and industrial expansion programs necessitating the erection of a vast number of new homes, California construction activities rose during 1940 to their best level of any recent year. In the nation as a whole, industrial operations were at the highest rate ever reached and give promise of moving to still higher levels in 1941.

I think I should point out, however, that though we have apparently resumed the forward march in national wealth and material well-being which has characterized every decade of our existence with the single exception of that beginning in 1930, the resumption is not altogether the result of the evolution of normal forces. Obviously, much of our prosperity today is synthetic; very much of it is a result of the war in Europe and Asia. I need not point out that money spent on armament does not create wealth. It merely enhances the misery and poverty of human existence and must be paid for eventually in sweat and

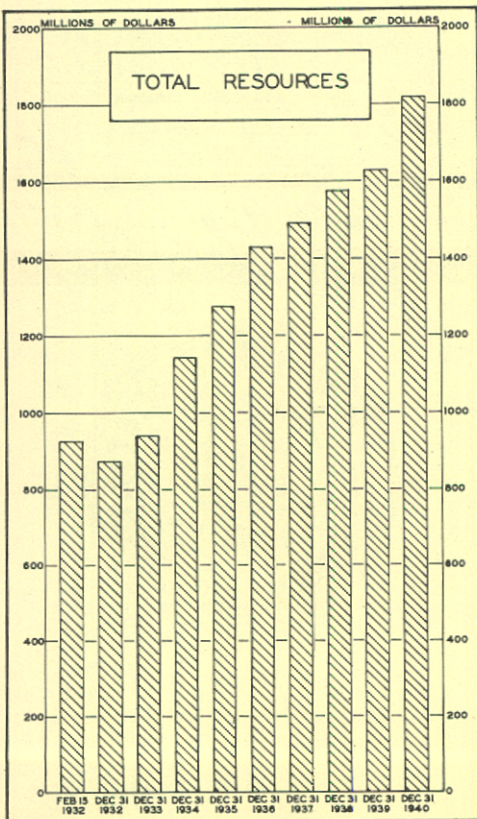
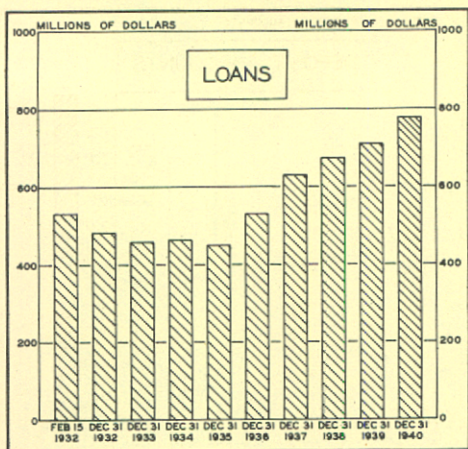
toil. Though there will be no hesitance or reluctance on the part of any responsible people to put our defenses on the highest plane, we should not fail to remember the evil consequences of the silk-shirt era of the past war and guard against a recurrence of the extravagances of that period.

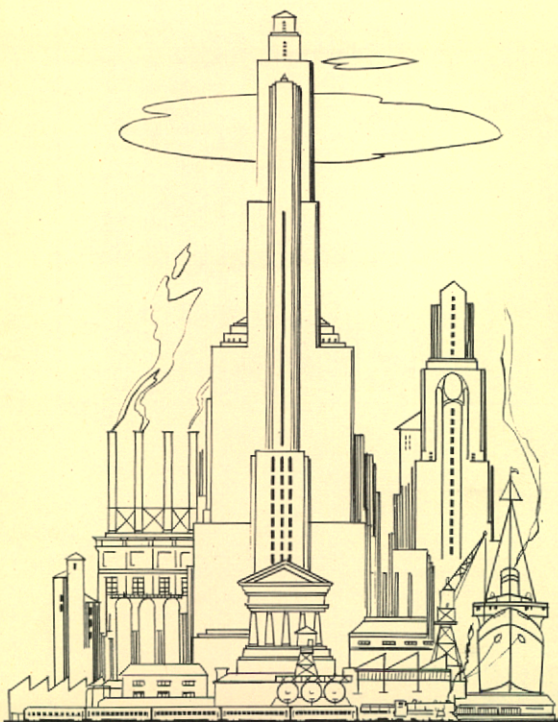
It will be the aim of your management during the turbulent period ahead so to conduct the affairs of our great institution that, so far as we can assist, the inevitable distortions caused by war may not result in an unbalancing of our California economy. To that end we pledge our every effort.

A Record of



Progress 1932-1940





Banking that is Building California



Member

Federal Deposit Insurance Corporation

Federal Reserve System